

TRI-TOWNSHIP FIRE DISTRICT
SAGINAW COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Tri-Township Fire District	County Saginaw
Fiscal Year End December 31, 2007	Opinion Date April 14, 2008	Date Audit Report Submitted to State April 15, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.


We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA	License Number 11050

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Basic Financial Statements:	
Government-wide financial statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Balance sheet - Governmental funds	5
Reconciliation of the Governmental Funds	
Balance Sheet with the Statement of Net	
Assets	6
Statement of Revenues, Expenditures and	
Changes in Fund Balances - Governmental	
Funds	7-8
Reconciliation of the Statement of Revenues,	
Expenditures, and Changes in Fund Balances	
of Governmental Funds to the Statement of	
Activities	9
Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Budget and Actual	10-11
Notes to Financial Statements	12-21
COMMENTS AND RECOMMENDATIONS	22

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Fire District Board
Tri-Township Fire District
Saginaw County, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Tri-Township Fire District, Saginaw County, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tri-Township Fire District's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note I, the financial statements present only the Tri-Township Fire District Fund (a special revenue fund) and is not intended to present fairly the financial position and results of operations of any of the participating municipality's, in conformity with accounting principles generally accepted in the United States of America.

Tri-Township Fire District
Independent Auditors' Report
Page Two

In my opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Tri-Township Fire District, Saginaw County, Michigan, as of December 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Tri-Township Fire District has not presented a management and discussion and analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

Sandy Standish, CPA, PC

April 14, 2008

BASIC FINANCIAL STATEMENTS

Tri-Township Fire District
Statement of Net Assets
December 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 41,491
Investments	110,803
Capital assets (net of accumulated depreciation):	
Land	216,436
Buildings	146,546
Major equipment	218,793
Minor equipment	<u>51,919</u>
Total Assets	<u>785,988</u>
LIABILITIES	
Accrued interest payable	2,834
Noncurrent liabilities:	
Due within one year	5,944
Due in more than one year	<u>108,697</u>
Total Liabilities	<u>117,475</u>
NET ASSETS	
Invested in capital assets, net of related debt	633,694
Unrestricted	<u>34,819</u>
Total net assets	<u>\$ 668,513</u>

See notes to financial statements

Tri-Township Fire District
Government-Wide
Statement of Activities
For The Year Ended December 31, 2007

Programs	Program Revenues			
	<u>Expenses</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>	<u>Capital Grants and Contrib.'s</u>
Governmental activities:				
Public safety	\$169,201	\$ 7,524	\$ 260,938	\$
Other:				
Depreciation	62,772			
Interest on long-term debt	<u>3,240</u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>\$235,213</u>	<u>\$ 7,524</u>	<u>\$ 260,938</u>	<u>\$</u>

General revenues:

Interest earnings

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expenses)
Revenues and
Changes in
Net Assets

\$ 99,261

(62,772)

(3,240)

33,249

2,486

2,486

35,735

632,778

\$ 668,513

Tri-Township Fire District
Balance Sheet
Governmental Funds
December 31, 2007

	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 41,491	\$	\$ 41,491
Investments	<u>110,803</u>	<u></u>	<u>110,803</u>
Total Assets	<u>\$ 152,294</u>	<u>\$</u>	<u>\$ 152,294</u>
FUND BALANCES			
Fund balances:			
Unreserved	<u>\$ 152,294</u>	<u>\$</u>	<u>\$ 152,294</u>
Total fund balances	<u>\$ 152,294</u>	<u>\$</u>	<u>\$ 152,294</u>

See notes to financial statements

Tri-Township Fire District
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
December 31, 2007

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 152,294
---	------------

Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	\$1,198,455	
Accumulated depreciation	(564,761)	
		633,694

Long-term liabilities are not due and
payable in the current period and therefore
are not reported in the governmental funds
as well as the accrued interest payable:

Accrued interest payable	(2,834)	
Note payable	(114,641)	
		(117,475)

Total Net Assets - Governmental Activities	<u>\$ 668,513</u>
--	-------------------

See notes to financial statements

Tri-Township Fire District
Statement of Revenues, Expenditures and Changes
In Fund Balance
Governmental Funds
For The Year Ended December 31, 2007

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Township contributions	\$ 260,938	\$	\$ 260,938
Interest earnings	2,486		2,486
Other revenue:			
Miscellaneous	370		370
Sale of fixed assets	4,552		4,552
Private contributions	1,830		1,830
All other refunds	772		772
Proceeds from note issuance	<u>125,800</u>		<u>125,800</u>
Total revenues	<u>396,748</u>		<u>396,748</u>
EXPENDITURES			
Current:			
Public safety:			
Wages and payroll taxes	70,402		70,402
Insurance	31,940		31,940
Utilities	10,848		10,848
Truck maintenance	9,118		9,118
Truck-gas & oil	7,189		7,189
Equipment repairs	6,884		6,884
Building maintenance	4,959		4,959
Radio supplies	4,371		4,371
Telephone	4,025		4,025
Professional fees	3,990		3,990
Training	3,810		3,810
Station supplies	3,580		3,580
Office supplies	3,161		3,161
Fire prevention	2,642		2,642
Dues	1,813		1,813
Medical	469		469
Debt service:			
Principal		11,159	11,159
Interest		406	406
Capital outlay	<u>163,605</u>		<u>163,605</u>
Total expenditures	<u>332,806</u>	<u>11,565</u>	<u>344,371</u>
Excess(deficiency) of revenues over(under) expenditures	63,942	(11,565)	52,377

Tri-Township Fire District
Statement of Revenues, Expenditures and Changes
In Fund Balance
Governmental Funds
For The Year Ended December 31, 2007
(Continued)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Excess(deficiency) of revenues over(under) expenditures	63,942	(11,565)	52,377
OTHER FINANCING SOURCES (USES)			
Transfers in(out)	<u>(11,565)</u>	<u>11,565</u>	<u> </u>
Net changes in fund balances	52,377		52,377
Fund balances-beginning	<u>99,917</u>	<u> </u>	<u>99,917</u>
Fund balances-ending	<u>\$ 152,294</u>	<u>\$ </u>	<u>\$ 152,294</u>

See notes to financial statements

Tri-Township Fire District
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2007

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances - governmental funds	\$ 52,377
---	-----------

Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is
allocated over their estimated useful lives
and reported as depreciation expense.

The amount by which capital outlays
exceeded depreciation in the period.

Capital outlays	\$ 163,605	
Depreciation expense	(62,722)	100,883

The issuance of long-term debt provides
current financial resources to governmental
funds, while the repayment of the principal
of long-term debt consumes the current
financial resources of governmental funds.
Neither transaction, however, has any affect
on net assets. This amount is the net
effect of these differences in the treatment
of long-term debt and related items.

(117,525)

Change in net assets of governmental activities	<u>\$ 35,735</u>
---	------------------

See notes to financial statements

Tri-Township Fire District
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
-Budget and Actual
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Local sources:				
Township contributions	\$299,325	\$299,325	\$260,938	\$ (38,387)
Interest earnings	200	200	2,486	2,286
Other revenue:				
Miscellaneous			370	370
Sale of fixed assets			4,552	4,552
Private contributions			1,830	1,830
All other refunds			772	772
Proceeds from note issuance			<u>125,800</u>	<u>125,800</u>
Total revenues	<u>299,525</u>	<u>299,525</u>	<u>396,748</u>	<u>97,223</u>
EXPENDITURES				
Public safety:				
Wages & payroll taxes	90,000	90,000	70,402	
Insurance	26,500	26,500	31,940	
Utilities	13,000	13,000	10,848	
Truck maintenance	15,000	15,000	9,118	
Truck - gas & oil	6,000	6,000	7,189	
Equipment repairs	12,000	12,000	6,884	
Building maintenance	5,000	5,000	4,959	
Radio supplies	6,000	6,000	4,371	
Telephone	5,000	5,000	4,025	
Professional fees	3,500	3,500	3,990	
Training	6,000	6,000	3,810	
Station supplies	6,000	6,000	3,580	
Office supplies	4,000	4,000	3,161	
Fire prevention	4,000	4,000	2,642	
Dues	4,100	4,100	1,813	
Medical	25	25	469	
Debt service	12,000	12,000	11,565	
Capital outlay	<u>115,135</u>	<u>115,135</u>	<u>163,605</u>	
Total expenditures	<u>333,260</u>	<u>333,260</u>	<u>344,371</u>	<u>(11,111)</u>

Tri-Township Fire District
 Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 -Budget and Actual
 For the Year Ended December 31, 2007
 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Net change in fund balances	(33,735)	(33,735)	52,377	86,112
Fund balances - beginning	<u>33,735</u>	<u>33,735</u>	<u>99,917</u>	<u>66,182</u>
Fund balances - ending	<u>\$</u>	<u>\$</u>	<u>\$152,294</u>	<u>\$ 152,294</u>

See notes to financial statements

Tri-Township Fire District
Notes to Financial Statements
December 31, 2007

I. Summary of significant accounting policies

The financial statements of the Tri-Township Fire District (the Fire District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fire District's accounting policies are described below.

A. Reporting entity

The Townships of Swan Creek, St. Charles and Brant comprise the volunteer fire department of the Tri-Township Fire District. By-laws have been adopted and bound by a resolution signed by each municipality effective February 3, 1986. It was established for the purpose of furnishing fire protection throughout these three Townships. Fremont Township is provided fire protection, also, and is assessed for a contribution.

The Fire District's administrative board consists of seven members who are appointed by the Townships. Two members are appointed from each Township for a six year term and the seventh member is a floater for two years with each of the three Townships taking turns.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Fire District. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions

B. Government-wide and fund financial statements (continued)

that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Fire District has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

C. Measurement focus, basis of accounting and basis of presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Fire District and are recognized as revenue at that time.

The Fire District reports the following major governmental funds:

The *special revenue fund* is the Fire District's primary operating fund. It accounts for all financial resources of the Fire District.

C. Measurement focus, basis of accounting and basis of presentation (continued)

The debt service fund accounts for the payments of long-term debt.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, liabilities and net assets

1. Deposits and investments

The Fire District's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Fire District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which maturity not more than 270 days after the date of purchase. The Fire District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Fire District Board has designated one bank for the deposit of Fire District funds.

D. Assets, liabilities and net assets

2. Capital assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Fire District as assets with

D. Assets, liabilities and net assets (continued)

2. Capital assets (continued)

an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Fire District is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Office equipment	5 years
Fire trucks, pumpers, trailers	10-20 years
Vehicle	5 years
Minor equipment	5 years

3. Compensated absences

The Fire District does not have a compensated absence policy.

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. Fund balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component

D. Assets, liabilities and net assets (continued)

5. Fund balance (continued)

of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

6. Use of estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Fire District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Management submits to the Fire District Board a proposed budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally adopted by the Fire District Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original

A. Budgetary information (continued)

estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.

4. Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Fire District Board.
5. Formal budgetary integration is employed as a management control device during the year for the special revenue fund.
6. The budget as presented, has not been amended.

B. Excess of expenditures over appropriations

During the year ended December 31, 2007, the Fire District has incurred expenditures in the public safety activity which were in excess of amounts appropriated in the amount of \$11,111.

III. Detailed notes on all funds

A. Deposits and investments

Deposits

The Fire District's policies regarding deposits of cash are discussed in Note I(D)(1). The table presented below is designed to disclose the level of custody credit risk assumed by the Fire District based upon how its deposits were insured or secured with collateral at December 31, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Fire District (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Fire District's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Fire District's name; or collateralized with no written or approved collateral agreement.

A. Deposits and investments (continued)

Deposits (continued)

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 55,626	\$ 55,626	\$ _____	\$ _____	\$ 41,491

Investments

The Fire District's policies and applicable laws regarding investments are discussed in Note I(D)(1). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Fire District (or public trust) based upon whether the investments are insured or registered and upon who holds the security at December 31, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Fire District or its agent in the Fire District's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Fire District's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Fire District's name.

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
Certificates of deposits	\$100,000	\$ 10,803	\$ _____	\$ 110,803	\$110,803

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	\$ 41,491
Investments	110,803
Total	\$ 152,294

Cash and cash equivalents:

Cash-checking	\$ 55,626
Checks written in excess of deposits	(14,135)
Certificate of deposits	110,803
Total	\$ 152,294

B. Capital assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:			
Capital assets, not being depreciated	\$ 216,436	\$	\$ 216,436
Capital assets being depreciated:			
Buildings	294,987	13,949	308,936
Office equipment	1,746		1,746
Fire trucks, pumpers, trailers	442,148	125,800	567,948
Minor equipment	<u>79,533</u>	<u>23,856</u>	<u>103,389</u>
Total capital assets being depreciated	<u>818,414</u>	<u>163,605</u>	<u>982,019</u>
Less accumulated depreciation for:			
Buildings	(154,868)	(7,522)	(162,390)
Office equipment	(1,746)		(1,746)
Fire trucks, pumpers, trailers	(312,195)	(36,960)	(349,155)
Minor equipment	<u>(33,180)</u>	<u>(18,290)</u>	<u>(51,470)</u>
Total accumulated depreciation	<u>(501,989)</u>	<u>(62,772)</u>	<u>(564,761)</u>
Total capital assets, being depreciated, net	<u>316,425</u>	<u>100,833</u>	<u>417,258</u>
Governmental activities capital assets-net of depreciation	<u>\$ 532,861</u>	<u>\$ 100,833</u>	<u>\$ 633,694</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Public safety	\$ 62,772
Total depreciation expense- governmental activities	<u>\$ 62,772</u>

C. Interfund transfers

Interfund transfers:

Transfer out:	Transfer In:		
	Special Revenue Fund	Debt Service Fund	Total
Special revenue fund	\$	\$ 11,565	\$ 11,565
Total transfers out	\$	\$ 11,565	\$ 11,565

D. Long-term debt

Note Payable

The Fire District borrowed \$125,800 for a 2008 Kenworth T-300 from Community State Bank on June 6, 2007 at an interest rate of 4.904 percent per annum with payments of \$11,564.75 annually on August 1st until maturity at August 1, 2021.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	4.904%	\$ 125,800

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending December 31	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 5,944	\$ 5,621
2009	6,234	5,331
2010	6,540	5,025
2011	6,861	4,704
2012	7,197	4,368
Thereafter	81,865	24,550
Total	\$ 114,641	\$ 49,599

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:				
Notes payable	\$ -	\$ 114,641	\$114,641	\$ -

IV. Other information

A. Risk management

The Fire District is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Fire District has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

B. Pension Plan

The Fire District does not provide a pension plan for its employees.

COMMENTS AND RECOMMENDATIONS

Members of the Fire District Board
Tri-Township Fire District
Saginaw County, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

It was not necessary to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Fire District Board, and the Michigan Department of Treasury and should not be used for any other purpose.

Barry E. Gaudette, CPA, PC.

April 14, 2008